

# JFMIP NEWS

A Newsletter for Government Financial Managers

Summer 1998 Vol.10. No.2.

## INSIDE

## JFMIP Steering Committee Member Will Retire

### A Joint Perspective

2

### Update on CFO Council Members

3

### Readiness for the Year 2000: GAO's Role

3

### The CFO Council Fellows Program

4

### Financial Management Profile: Ernest J. Gregory

5

### The Results Act: Additional Guidance

7

### Electronic Commerce

9

### FASAB Update

11

### Human Resource

14-15

### HHS Accountability Report

17

### Status Report and 5-Year Plan

21

### Treasury Accountability Report

23

**G**erald Murphy, Senior Advisor to the Under Secretary, Department of the Treasury, is retiring on September 3, 1998, after

42 years of Federal service. Jerry has served as the chair, a member or alternate of the JFMIP Steering Committee over the past 29 years.

As a JFMIP Steering Committee member, he has fostered the improvement of Federal financial management policies and practices, including those on systems



requirements, human resources development, reengineering financial management policies and procedures.

At Treasury, Mr. Murphy has overall responsibility for ensuring that Treasury produced the first audited Consolidated Financial Statement for the U.S. Government. He has served as the Fiscal Assistant Secretary of the Department from January 1986 to January 1998. In that capacity, he coordinated the Department's management of the U.S. Government's financial operations, including central accounting, financial reporting, cash management, financing of the public debt, directing the performance of the fiscal agency functions of the Federal Reserve Banks, and handling the

*Continued on page 10.*

## Presidential Memo to Improve Federal Financial Management

**O**n May 26, 1998, President Clinton issued a memorandum to the heads of Executive departments and agencies discussing steps to be taken to improve financial management within the Federal government. Although the enactment of the Government Management Reform Act of 1994 has made substantial progress, President Clinton has directed additional steps to be taken to achieve certain goals.

President Clinton believes the government's financial management systems have improved significantly, but agencies need to focus on other areas of interest. One area discovered was that financial auditors found problems with fundamental accounting practices across the Federal government and accounting system weaknesses.

The memo stated the following four steps to help improve Federal financial management systems:

1. The Office of Management and Budget (OMB) shall identify agencies subject to reporting under this memorandum and monitor agency progress towards the goal of obtaining an unqualified

audit opinion on the FY 1999 consolidated Federal government financial statements.

2. The head of each of these identified agencies will submit to the OMB a plan, including milestones for resolving financial reporting deficiencies identified by the auditors by September 30, 1999. The initial agency plan is due to the OMB by July 31, 1998.
3. The head of each agency submitting a plan will provide quarterly reports to the OMB, starting on September 30, 1998. This will describe progress in meeting the milestones in their action plans. The head of each affected agency shall report to the OMB any impediments that would impact the governmentwide goal.
4. The OMB shall provide periodic reports to the Vice President of the United States on the agency submissions and governmentwide actions taken to obtain an unqualified audit opinion on the government's FY 1999 financial statements.

This memo is posted at <http://www.npr.gov/library/direct/memos/finmgmt.html> □

## A Joint Perspective

Summer's here and my first "semester" is complete. As promised in the last issue of the *JFMIP News*, each subsequent issue will report progress against goals outlined in the Spring 1998 issue. During this year, JFMIP's major focus areas are to improve financial management systems through developing and maintaining up-to-date financial management system requirements, reengineer the testing and certification process for core financial systems, improve communications through more effective use of Web-based tools, and enhance development of financial management human resources.



Karen Alderman  
Executive Director, JFMIP

### Financial Systems Requirements

Achieving up-to-date financial systems requirements for the core system and thirteen subsidiary systems is a challenge, to say the least. Many of these documents have not been updated since the early 1990's. The functions and the stakeholders are diverse and impact the scope of government operations and their customers. Ongoing activities and milestones are summarized by functional area as follows:

**Human Resources/Payroll.** Ed DeSeve, Acting Deputy Director for Management, Office of Management and Budget (OMB), and Chair, JFMIP Steering Committee put the update of this document on the fast track at a kickoff meeting in April 1998. Building upon the work recently completed by the Human Resources Technology Council (HRTC) in November 1997, an interagency team including stakeholders from across government updated the JFMIP Personnel/ Payroll System Requirements document in May and June. On June 30th, this draft was distributed to the JFMIP Steering Committee for review. Based on that review, the General Accounting Office (GAO) will provide additional comments by the end of July to address internal controls

issues and to ensure the document includes sufficient specificity to inform the systems developers about desired capabilities. The HRTC plans to distribute the updated document with GAO comments during its July 31st meeting. We anticipate that the document will be posted on FinanceNet as an exposure draft during August. The leadership of the HRTC in producing human resources requirements under the auspices of the National Performance Review, combined with the high quality professional contributions of the personnel and payroll experts who met for a three-day working session in June 1998, has made it possible to produce the exposure draft in an expedited fashion. More details can be found on the development of these requirements on page 14.

**Travel.** An interagency team, led by GSA's Bill Topolewski, has reviewed the travel management system requirements. The review includes local, temporary duty (TDY), and relocation travel. The revisions to the travel systems requirement document will incorporate system changes resulting from changes in laws and regulations, and to some extent technology, that have occurred over the last decade. The team has completed the TDY portion of the revised document and is working on updating the relocation portion. Once the document incorporates the relocation changes, the document will be revised and transmitted to the JFMIP Steering Committee and Chief Financial Officers Council's Financial Systems Committee for comments before an exposure draft is released to the general public. An exposure draft is anticipated early in the Fall.

**Seized/Forfeited Assets.** An interagency team, consisting of staff members from the Departments of Justice and Treasury, held their kick-off meeting on June 25th to discuss the scope of the project for updating the Seized/Forfeited Assets System requirements. The team, co-chaired by Michael Perez, Justice and Denise Wood, Treasury, have discussed a strategy on how to update the document. The team will meet in August to discuss task assignments for developing the changes needed for the document. In addition to updating the 1993 JFMIP system requirements document that addresses assets that are seized and forfeited to the government, the team agreed to develop financial systems requirements for seized assets that are *not* forfeited to the Federal government.

**Guaranteed and Direct Loans.** The JFMIP is working with the Federal Credit Policy Working Group and key stakeholder agencies to establish interagency teams to work on the updates of both the Guaranteed and Direct Loan Systems Requirements. The current requirements documents were issued in 1993 and need to be updated to address requirements generated by the passage of the Debt Collection Improvement Act of 1996 and accounting standards issued by the Federal Accounting Standards Advisory Board. Discussions on the approach to update these documents have been held with the Departments of the Treasury, Housing and Urban Development, Education, Veterans Affairs, Office of Management and Budget, Small Business Administration, and others. The Department of Education will be leading the team on Direct Loans, and we are waiting to hear who will be taking the lead role for Guaranteed Loans. Both of these teams are expected to start work later this summer.

### On the Horizon — Developing New Financial Systems Requirements

**Grants.** The CFO Council's Grant Management Committee (GMC) and the Interagency Electronic Grants Committee (IAEGC) under the auspices of the Electronic Processes and Initiatives Committee (EPIC) have agreed to jointly sponsor the development of financial system requirements for grants management. The team will build on the work of the CFO Council's Grant Management Committee and the IAEGC. The CFO Council has approved the Committee's proposal to consolidate Federal grant payment systems to two grant payment systems (Treasury ASAP or the Department of Health and Human Services Payment Management System) for all civilian Federal agencies making grants to State governments. The Department of Defense will also consolidate their grant payment systems to one. The active participation of both the GMC and the IAEGC will bring key stake holders from government grant making agencies and grant receiving organizations into the process. The next steps involve the selection of the leaders for this team and a plan with a timetable to develop and issue grant system requirements.

**Property Management.** We have met with senior officials at the Department of

*Continued on page 6.*

## Update on CFO Council Members

Sallyanne Harper, recently confirmed as the Environmental Protection Agency's (EPA) Chief Financial Officer (CFO), has dedicated her professional career to fiscal resource management. Ms. Harper came to EPA in 1987, following ten years of increasingly responsible positions in Procurement and Contracting with the Navy. She served as the Associate Director for Superfund and RCRA Procurement Operations until 1989, when she became Director of EPA's Financial Management Division. In August 1992, Ms. Harper became EPA's Deputy Chief Financial Officer. Ms. Harper served as the Acting Chief Financial Officer since July 1995 and was confirmed as the Chief Financial Officer in July 1998. In her capacity as CFO, Ms. Harper has



responsibility for developing and managing EPA's new Planning, Budgeting, Analysis and Accountability System. This system will integrate strategic and annual planning, budgeting, scientific analysis, fiscal and program accountability. She also has overall responsibilities for EPA's financial management, reporting, and systems.

Ms. Harper graduated from LaSalle University magna cum laude and received her MBA in Finance and Investments from George Washington University in 1987. Former chair of the Federal Financial Managers' Council, she currently serves as Secretary/Treasurer of CFO Council. She has served as chair or co-chair of several of the CFO Council's committees.

William J. Lynn, III, was sworn in on November 19, 1997, as Under Secretary of Defense (Comptroller) and is the principal advisor to the Secretary and Deputy Secretary of Defense for budgetary and fiscal matters. Mr. Lynn also serves as the Chief Financial Officer of the Department of Defense. Mr. Lynn served as the Director for Program Analysis and Evaluation in the Office of the Secretary of Defense from April 1993 to November 1997. In that capacity, Mr. Lynn was responsible for advising the Secretary on program and budget matters, as well as overseeing

long-term planning. Previously, he served as the Assistant to the Secretary of Defense for Budget. He was the Deputy Director of the Clinton-Gore Defense Department Transition Team, and a Defense advisor to the Clinton-Gore Campaign.



From 1987 until 1993, Mr. Lynn was on the staff of Senator Edward M. Kennedy (D-Massachusetts) as the legislative counsel for defense and arms control matters and his staff representative on the Senate Armed Services Committee. Prior to 1987, he was a Senior Fellow in the Strategic Concepts Development Center at the National Defense University, where he specialized in strategic nuclear forces and arms control issues. He also was on the professional staff of the Institute for Defense Analyses. From 1982 to 1985, he served as the Executive Director of Defense Organization Project at the Center for Strategic and International Studies. Mr. Lynn is a graduate of

*Continued on page 4.*

## Readiness for the Year 2000: GAO's Role

The Year 2000 computing crisis is real. While opinions differ on the extent of likely impact, the potential risk to the public cannot be denied. This article will attempt to explain the problem and offer GAO's perspectives, based on over 18 months' work resulting in close to 50 reports and testimony statements. These include guidance, individual agency assessments and system reviews (the bulk of the work), and periodic reports on overall governmentwide progress.

What is the Year 2000 problem? For the past several decades, computer systems have typically used two digits to represent the year, such as "98" for 1998, in order to

conserve electronic data storage and reduce operating costs. In this format, however, 2000 is indistinguishable from 1900 because both are represented as "00." As a result, if not modified, systems or applications that use dates or perform date- or time-sensitive calculations may generate incorrect results beyond 1999.

Due largely to information technology, the world today is one, electronically linked global community. For this reason, the Year 2000 problem must be adequately addressed internationally if we are to avoid the potential domino effect brought on by system linkages. The United States is, perhaps, most at risk, because of its position as the world's most advanced and most dependent user of information technology, with close to half of all computer capacity and 60 percent of Internet assets.

Automated systems perform functions and services critical to the daily lives of millions—from issuing benefits checks to processing credit card and other financial

transactions and even guiding commercial aviation. If they don't work properly, what could happen?

- Unless the Federal Aviation Administration (FAA) takes much more decisive action, flights could be grounded or delayed, safety degraded, customers inconvenienced, and airline costs increased.
- Payments to veterans with service-connected disabilities could be severely delayed if the system that issues them either halts or produces checks so erroneous that it must be shut down and checks processed manually.
- The military services could find it extremely difficult to efficiently and effectively equip and sustain its forces around the world.
- Federal systems used to track student loans could produce erroneous

*Continued on page 8.*

*CFO Update, continued from page 3.*

Dartmouth College (1976) and has a J.D. from Cornell Law School (1980) and a Masters in Public Affairs from the Woodrow Wilson School at Princeton University (1982).

On March 29, 1998, Anthony Musick was named the new Deputy Chief Financial Officer and Director for Financial Management, U.S. Department of Commerce 1998. As Deputy CFO, he is responsible for financial management and accounting throughout the Department. He also is responsible for preparation of the Department's annual consolidated financial statements and development and implementation of a Department-wide integrated financial system.



Previously, Mr. Musick was the Chief Financial Officer for the Internal Revenue Service. In April 1993, Mr. Musick was selected to serve on Vice President Gore's National Performance Review and participated on the "Improving Financial Management Team" until September 1993.

During his career, Mr. Musick has held positions of increasing responsibility including Director, Financial Management (CFO) at the Comptroller of the Currency, and Deputy Director, Financial Management at the Environmental Protection Agency. He was also an auditor with the public accounting firm of Ernst and Ernst, the U.S. General Accounting Office, and the Environmental Protection Agency's Office of Inspector General, and served as Budget Director for Virginia Commonwealth University in Richmond.

Mr. Musick is a Certified Public Accountant and a Certified Government Financial Manager. He holds a bachelor's degree in business with a concentration in accounting from the University of Maryland and an MBA from George Washington University with a concentration in Finance.

Sally Thompson is the Chief Financial Officer of the United States Department of

Agriculture (USDA). As CFO she is responsible for overall financial management, activities in the 105,000 employee Department, and for direct management of almost 1,700

employees in the Office of the CFO at USDA

headquarters in Washington, DC, and the National Finance Center in New Orleans. Ms. Thompson has accounting and reporting

responsibility for program funds totaling more than \$81 billion, and management responsibility for nearly 40 percent of all debt owed to the U.S. Government. Prior to coming to USDA, Ms. Thompson served seven years as the State Treasurer of Kansas, first elected in 1990. She has served as Secretary/Treasurer of the National Association of State Treasurers, and past Chair of the National State Debt Management Network. She was Treasurer of the Midwest Association of State Treasurers, and a Member of the Executive Committee for the Council of State Governments. Before entering public service, Ms. Thompson spent 20 years in the private sector. She was President and Chief Operating Officer of Shawnee Federal Savings in Topeka, and before that, Vice President of Business Planning and Development for the United Banks of Denver. As a Certified Public Accountant, Ms. Thompson began her career as a financial manager at Touche Ross, a multinational accounting firm. Ms. Thompson graduated magna cum laude from the University of Colorado at Boulder, with a bachelor's degree in business, accounting and finance.

We would also like to extend our best wishes to Irwin (Ted) David, former Deputy Chief Financial Officer, Department of Agriculture; and Michael Roper, Deputy Chief Financial Officer, Department of Justice, as they leave the CFO Council. Mr. David is now the Chief Financial Officer and Chief Administration Officer for the National Weather Service; Mr. Roper retired from the Federal government. □



## The CFO Council Fellows Program

The Council has created a CFO Council Fellows Program for Council member employees to provide career development opportunities for promising financial managers and to provide the Federal government with a cadre of experienced staff which will be a source for future financial management leaders including Deputy Chief Financial Officers and Chief Financial Officers. The Human Resources Committee of the CFO Council administers the program in partnership with the Federal Executive Institute and the Graduate School, USDA.

Each year, approximately six of the agencies represented on the CFO Council will be designated as hosts for that year's competition. Selecting host agencies on a rotational basis will equitably distribute participation among all represented agencies, each hosting a Fellow approximately once every 4 years.

The CFO Fellows Program will mix formal classroom training from both the Federal Executive Institute and the Graduate School, USDA, with on-the-job training in a host agency. As a result of the program, Fellows and their sponsoring agencies should expect classroom learning and on-the-job experiences that will enhance their ability to perform more effectively in the field of Federal financial management. The program will help ensure a rich pool of future senior executives from the current employee base.

### **Developmental Work Assignments**

Prior to final selection of the Fellows, the host agencies will identify temporary assignments which will be made available to Fellows. These may include assignments which are in direct support of the Council or its committees. Assignments will be compatible with CFO Council goals and support initiatives that will provide the Fellow with financial management experience supportive of the CFO Council Vision. Fellows will normally be placed in a position outside of his/her agency, bureau, or department. The Deputy CFO of the host organization will serve as the Fellow's mentor throughout the Program.

Once selected, the Fellows will interview for positions in which they have particular

*Continued on page 13.*

## FINANCIAL MANAGEMENT PROFILE

**E**rnest J. Gregory is the Deputy Assistant Secretary of the Army for Financial Operations. He supervises and directs financial operations for the Assistant Secretary of the Army (Financial Management and Comptroller) and provides advice to the Secretary of the Army, the Chief of Staff and other senior Army officials.

Mr. Gregory began his career as a U.S. Army Auditor Intern in Philadelphia in June 1967. His military service was as an Aircraft Maintenance Officer in the Air Force's Strategic Air Command (SAC) from May 1968 to February 1972. Upon completion of his military service he returned to the U.S. Army Audit Agency (USAAA) in Philadelphia and worked as an auditor and auditor in charge. He served as a Chief of Internal Review, Financial System Analyst, Deputy Comptroller, and Senior Financial Analyst for the US Army Security Assistance Center until December 1982. In December 1982 he was assigned as the Assistant Comptroller of the Army for Internal Review and later the Director of Internal Review for the Office of the Assistant Secretary of the Army. In January 1993, Mr Gregory was appointed to the Senior Executive Service and selected as the Deputy Assistant Secretary of the Army (Financial Operations). Since 1993 some of the areas Mr. Gregory has worked on are the consolidation of Army Finance and Accounting processes to the Defense Finance and Accounting Service (DFAS), implementing Chief Financial Officers (CFO) Act and Government Performance and Results Act (GPRA) requirements, numerous financial innovations such as IMPAC Cards, Stored Value Cards, Personnel and Pay Integration, Logistics and financial management integration, and banking issues.

Mr. Gregory is from Dunmore, PA and is married to the former Johanna Nicastro from Dunmore, PA. They have a daughter, Maura, and two sons, Ernie and Jason.

As a youth, Mr. Gregory worked in his family's business for 12 years from age 9 to 21. The business was a service business, dry cleaning, laundry, formal wear, and custom drapery service; a very service oriented and competitive business. He believes this experience as a youngster was very formative for him. It gave him a perspective that he has kept all of his life. Starting in customer service at an early age, it became an integral part of his life and the way he looks at things as an adult.

A good portion of his career was as an auditor giving him opportunities to work on many assignments in different functional areas. As an Army auditor, he learned and analyzed a broad range of operations.

In his role as Deputy Assistant Secretary for Financial Operations, his responsibility starts once the budget is received and distributed to the Army to execute in the field. Since Defense has a centralized finance and accounting service, DFAS, he is the field's link to DFAS. From an Army standpoint, it is his responsibility to

see that DFAS is providing the quality and extent of services that is required by field financial managers and field commanders. He views himself as the contracting officer's representative for DFAS, that is, he ensures that DFAS provides service in a timely, accurate, and quality manner. This responsibility also includes assisting and partnering with DFAS.



Mr. Gregory is responsible for making sure that Army decision makers have the information they need to make the best decisions that they can, from a financial standpoint. He is part of an Army team of innovators, as he credits his staff with making significant contributions over the last 5 to 6 years developing and integrating functional and financial methods and processes. Key financial management information must be presented through various immediate, executive reporting media for use by financial managers, functional managers, and commanders so that they can make better decisions.

Mr. Gregory's management style is to be involved because he is interested in what is going on, but not to be a stumbling block to creativity.

He promotes empowerment, realizing that there is always a tension of wanting to be involved and empowering staff. He believes in delegating, and he trusts people and has found over the years that the vast majority of people are worthy of that trust. Mr. Gregory warns that you do have to stay engaged letting staff know that you are a person who steers and not a person who rows. He points out that the managers who don't empower today are not going to achieve the best results and will kill themselves because there is just too much that needs to be done. He is lucky to have a great group of people to be able to work with and his staff does great things every day.

Most would say that a common concern of financial managers today is the lack of qualified, multi-skilled people to perform the more complex tasks demanded of the Federal government. Mr. Gregory believes, however, that it is the future more so than a current lack of qualified, multi-skilled people that is the real problem. He feels blessed to have the talented staff that he has, but he is more concerned with the accession of new people. In the Army, he believes the biggest problem is an aging civilian workforce. The Army doesn't have a good inflow of talented young people, defining young as under 40 years old, to grow to be the next generation of qualified, multi-skilled financial management human resources.

The downsizing of the Federal government adds to his concerns. He believes that the government has gone too far, too fast and has missed opportunities. He maintains that the goal has been to get small, without a real perspective and without a concern for what still needs to be done and what it takes to do it. He emphasizes that he is not arguing for growth, but to get small and be able to succeed, there is a desperate need to change the way you do business. That

*Continued on page 20.*

*Perspective, continued from page 2.*

Defense, Defense Logistics Agency, Federal Accounting Standards Advisory Board, and the Private Sector Council, to discuss the approach to develop property management systems requirements. Other discussions will be held with the major stakeholders in this area soon.

### ***Reengineering the Testing and Certification Process for Core Financial Systems Software***

The CFO Council, JFMIP, and OMB are sponsoring the re-engineering of the Financial Management Systems Software (FMSS) Schedule process to achieve more effective partnership between government and industry through improved communication and reduced cost and risk. Their strategy is to use the JFMIP to organize and present comprehensive requirements by source; develop a comprehensive software testing and certification process; and separate the software certification process from the procurement process. This re-engineering will encourage the free flow of information; and facilitate open communication among all stakeholders.

Federal agencies currently procure commercially-based, core financial management software systems from the General Services Administration (GSA) FMSS Schedule. This mandatory procurement vehicle expires on September 30, 1998. Activities required to re-engineer the Schedule are tentatively scheduled to be completed by the end of Fiscal Year 1999, assuming that resources to conduct software testing are in place by the beginning of Fiscal Year 1999.

Because the current FMSS Schedule expires before the new process is in place, GSA is extending the current schedule for 12 months and is offering a limited open season. GSA published and electronically posted, a Commerce Business Daily (CBD) notice on June 1, 1998, of intent to conduct an open season to allow vendors to offer additional software for the FMSS Schedule. GSA issued a solicitation on June 19, 1998, with proposals due on July 21, 1998. It plans to award contracts for a period of 12 months or less, expiring on/or before September 30, 1999. Proposals will be evaluated, and software tested, using existing FMSS Schedule processes. The limited open season recognizes that several private sector firms have expressed a desire

to enter the Federal marketplace and several agencies have expressed an interest to consider new offerings of core financial management systems software prior to the full implementation of the new processes. The decisions of vendors to participate in this limited open season will be a function of their respective business case analysis.



Under the re-engineered process, Federal agencies will have a GSA Schedule that offers one-stop shopping for financial management systems software, maintenance, and support and integration services. Vendors will be able to provide all of their software and services as a solution, rather than piecemeal through many procurement vehicles. We will provide more information on the new schedule in the next issue of the *JFMIP News*.

Regarding the refinement of the core financial system requirements and the development of the testing and certification process under the new process, the work of the interagency team to redefine requirements by source and whether they are mandatory or value added, has been completed and provided to the JFMIP Steering Committee. As part of that process the team has identified 33 requirements that should be incorporated in the Core Financial Systems Requirements. The new certification test will be developed based on these requirements in the Fall.

### ***Electronic Repository***

One of JFMIP's goals is to improve communication by making better use of the WEB. To meet this goal and to concurrently support the issuance of the detailed core systems requirements data base, we have developed an electronic repository prototype with the help of the Logistics Management Institute. By the end of the summer, the CFOC Financial Systems Committee and JFMIP will have the detailed core system requirements available to the public through a searchable data base hosted on an internet site. That site will be linked through the JFMIP page on FinanceNet

([www.financenet.gov/fed/jfmip](http://www.financenet.gov/fed/jfmip)). Future development will include core system certification testing materials, as well as other information. These efforts constitute the initial building blocks of the knowledge base supporting Federal financial systems. The knowledge base will include comment capability and your feedback will help us serve your needs.

### ***Professional Development of Financial Management Personnel***

The core competencies document for management analysts and financial specialists was issued and electronically posted on FinanceNet under the CFOC Human Resources Committee (HRC) and JFMIP webpages. JFMIP is working with the HRC in coordinating review boards that will look at core competencies for accountants, budget analysts, and financial managers. These core competencies were originally issued in November 1995. Review boards for the core competencies for budget analysts and accountants are working on updating their respective document. A review board for financial managers is reviewing the document for currency and discussing whether to update that document. JFMIP and the HRC will be publishing the updates of the core competencies for budget analysts, accountants, and financial managers in separate documents. The review boards plan to complete these updates by the end of the Summer.

The JFMIP is working with a HRC subcommittee on the development of a website with an electronic repository for education and training courses that will meet the core competencies developed by the Federal government for financial management personnel. The repository will have a searchable database, so that users can readily find education and training courses that meet core competencies in financial management. This subcommittee will be working with the private sector vendors to ensure that their websites with their training courses are hyperlinked to this site, so the information is accurate and up-to-date.

Please give us a call at (202) 512-9201 or write to us if you would like to assist in any of these projects. □



## Call for Nominations for Distinguished Leadership Awards

The Joint Financial Management Improvement Program (JFMIP) is soliciting nominations for the Donald L. Scantlebury Memorial Awards for distinguished leadership in financial management improvement. The brochure for the awards will be distributed in late August.

All Federal, state or local government employees who are senior executives and have demonstrated outstanding distinguished leadership resulting in effective financial management improvements over the years are eligible to be nominated.

The Awards Committee will base its determination on two factors: sustained leadership in financial management and specific accomplishments in financial management.

Since 1971, the JFMIP has sponsored an annual award program directed to excellence in financial management. The award was established to recognize senior financial management executives who, through outstanding and continuous leadership in financial management, have been principally responsible for significant economies, efficiencies and improvements in federal, state or local government.

In 1981, the award was designated as the Donald L. Scantlebury Memorial Award in honor of the Chief Accountant of the General Accounting Office and the

Chairman of the JFMIP Steering Committee.

The awards, consisting of engraved plaques, will be presented at the JFMIP annual Financial Management Conference in Washington, DC in March, 1999.

Nominations must be made by heads of Federal departments or agencies and senior officials from state and local governments. Nominations are due by January 6, 1999. To receive an award brochure, please contact JFMIP at (202) 512-9201. □



## The Results Act: Additional Guidance

Recently, the General Accounting Office (GAO) issued two guides to assist Congress and executive branch agencies in implementing the performance plans component of the Government Performance and Results Act of 1993 (the Results Act). The first guide, *Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking* (GAO/GGD/AIMD-10.1.18), issued in February 1998, was developed at the request of the Speaker of the House, the House Majority Leader, and the Chairmen of several Senate and House committees. This guide was developed to facilitate congressional use of agencies' annual performance plans required under the Results Act.

In April 1998, GAO issued a companion guide to its congressional guide on annual performance plans, *The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans* (GAO/GGD-10.1.20). This guide was developed to help GAO and other evaluators make detailed assessments of

the performance plans. It was used this spring by GAO to respond to a request by several members of the House majority leadership to review the first Results Act annual performance plans of the 24 federal agencies covered by the Chief Financial Officers Act.



The first agency performance plans covering fiscal year 1999 were submitted to Congress after the President's budget in February 1998. In their annual plans, agencies are to provide information on results they expect to achieve during the year. The Results Act requires that the performance goals and measures in the agencies' performance plans be linked to the program activities in agencies' budget requests. Thus, the Act establishes the first statutory link between agencies' performance planning efforts and their budget requests.

Overall, the plans are required to clearly inform Congress and the public of the annual performance goals for agencies' major programs

and activities, measures that will be used to gauge progress in meeting those goals, strategies and resources required to meet the performance goals, and procedures that will be used to verify and validate performance information.

Both guides organize these Results Act requirements for performance plans under three core questions that provide a framework for congressional and agency decisionmakers to use to promote sound, accountable management practices. GAO identified issues and criteria for the guides that address key dimensions of each core question and that can be used to identify strengths and weaknesses in performance plans with a particular focus on congressional and agency decisionmaking. Each core question is described below.

1. Annual Performance Goals and Measures: "To what extent does the agency's performance plan provide a clear picture of intended performance across the agency?"

The annual performance plan should provide a basis for an agency to compare its accomplishments at the end of the year with its performance goals. To do this, the

*Continued on page 13.*

*Y2K, continued from page 3.*

information on loan status, such as indicating that a paid loan was in default.

- Internal Revenue Service tax systems could be unable to process returns, thereby jeopardizing revenue collection and delaying refunds.
- The Social Security Administration process that provides benefits to disabled persons could be disrupted if interfaces with state systems fail.

The risk is especially insidious because of what are termed *embedded* computer chips. Embedded systems are special-purpose computers built into other devices, such as elevators or heating and cooling units. It is not hard to see how disruption could cause widespread crisis. For this reason, as early as February 1997, GAO designated the Year 2000 problem—commonly referred to as Y2K—a high-risk area.

Congressional interest in this area has been—and continues to be—intense. In 1997, GAO testified over 15 times on the Year 2000 problem. In response to congressional calls for greater Executive branch leadership, President Clinton on February 4 established the President's Council on Year 2000 Conversion, charged with oversight of Federal activities, promotion of public/private partnerships, policy coordination with state and local governments, and acting as chief spokesperson for the Executive branch in national and international forums.

### Guidance

GAO has issued two guidance documents to assist Federal agencies; a third will be released soon. The first, an enterprise readiness guide [*Year 2000 Computing Crisis: An Assessment Guide*, GAO/AIMD-10.1.14, September 1997], incorporates guidelines identified by leading Federal and private-sector information technology experts to standardize an

approach for assessing agency readiness for the century change. Such standardization prevents the need for new approaches to every agency review. The guide, for which over 35,000 requests for copies have been received, lays out a five-phased Year 2000 conversion approach: *awareness, assessment, renovation, validation, and implementation*.

During *awareness*, the program and overall strategy are established; this should have been completed by the end of calendar year 1996. *Assessment* entails inventorying systems, gauging the likely impact of their not being Year 2000 compliant in time, and prioritizing them. Also begun during this stage is contingency planning and the exploration of data exchange issues, to ensure that any system with which one exchanges data is likewise compliant. *Renovation* means making the system compliant through replacement or repair. Finally, *validation and implementation*—with some overlap to renovation. The watchword here is testing. It cannot be overemphasized that at least one full year and perhaps half of an organization's total Year 2000 budget should be devoted to testing—a final chance to ensure that solutions do, in fact, work as anticipated.

The first guide generated a considerable amount of electronic mail from the Chief Information Officers' community, including requests for GAO's assistance with business continuity and contingency planning. The result was *Year 2000 Computing Crisis: Business Continuity and Contingency Planning* (GAO/AIMD-10.1.19, exposure draft, March 1998). Utilizing a similar structure as the earlier guide, it draws on the work of leading organizations such as the Gartner Group and state governments. It addresses four phases: *initiation* (who is responsible, high-level strategy), *business impact analysis* (identifying risks for each core business process), *contingency planning* (addressing those risks), and *testing*.

The third GAO guide, being published this summer, will provide a structured approach for testing and validation, building

upon the assessment guide and drawing on the work of leading organizations.

### Individual Agency Assessments: Common Shortcoming

GAO has completed Year 2000 readiness reviews of several federal entities, including the Federal Aviation Administration (FAA), Department of Veterans Affairs (VA), and Department of Agriculture (USDA). Serious problems were found. At FAA, awareness and assessment delays have left the agency with little time for essential renovation, validation, and implementation activities—activities that are more difficult and time-consuming. In particular, it is imperative that FAA devote the time necessary to testing its solutions.

At VA, unless the systems that ensure correct disbursement of monthly benefits checks are Year 2000 compliant, eligibility determinations—based on date of birth as well as military service—could cease operating. And at USDA, a great deal of work remains to render its many systems operable in 2000—systems that farmers depend on for subsidy payments, school children depend on for food, and the public at large depends on to vouch for meat and poultry inspection.

Other agencies that GAO has reviewed include Defense components, the Social Security Administration, and various financial regulatory entities, including the Federal Deposit Insurance Corporation, Office of Thrift Supervision, and Securities and Exchange Commission. A problem common to most of these organizations was the lack of agencywide systems prioritization, such that if time became short, agencies would not know which of their mission-critical systems needed attention first. Another area demanding more work: data exchanges. Even if internal systems are Year 2000 compliant, it is important to ensure that all systems with which data are exchanged are likewise compliant; otherwise, the original system's data risk becoming corrupted. Finally, insufficient emphasis has frequently been placed on testing. This component will take up a lot of time—time that must be planned for now.

*Continued on page 10.*



## Department of Veterans Affairs Electronic Commerce Best Practices

The Credit Card System (CCS) is a completely automated system which is used to electronically access purchase card transactions on the IMPAC system and then format those transactions for automated posting to an accounting system.

The system was designed to allow the Department of Veterans Affairs (VA) facilities to reassign staff to higher priorities, reduce administrative costs, eliminate the paper burden, and streamline processes using the latest technological advances. The CCS is an automated system that extracts information from the bank, makes a single electronic payment, formats accounting transactions, and posts those transactions to the accounting system all the same day. Additionally, the system allows users to make accounting changes to their statement accounts, if necessary, via the Internet.

The CCS reduces intensive labor input by staff. The CCS has allowed the Federal Service Center (FSC) to reduce its payment processing staff by 40 FTEs since implementation in 1996. The total number of FTEs saved at more than 250 VA facilities throughout the country is not known, but is significant. The CCS allows for quick and easy access for modifications to accounting data. It ensures fast, accurate, and reliable transmission of business information and maximizes rebates for VA.

In May 1996, VA became the first Federal agency to use a daily electronic cycle for purchase card processing through its CCS. By processing and paying daily, VA receives the highest possible rebate available. The CCS was awarded the National Performance Review's *Hammer Award* in November 1996. In FY 1997, CCS handled 1.5 million transactions totaling \$800 million for 34,000 cardholders at 300 customer sites. VA's rebate for FY 1997 was \$5.8 million.

More recently, VA was the first agency to award a new task order. VA's award to Citibank for purchase, travel, and fleet cards offers the most favorable terms available. VA's size and technology creates an opportunity to obtain the most favorable rebates and fees for purchase card services and uses all the purchase technologies offered by Citibank. VA expects to implement innovative ways to further automate purchasing activities and capture financial and performance information, while reducing administrative costs.

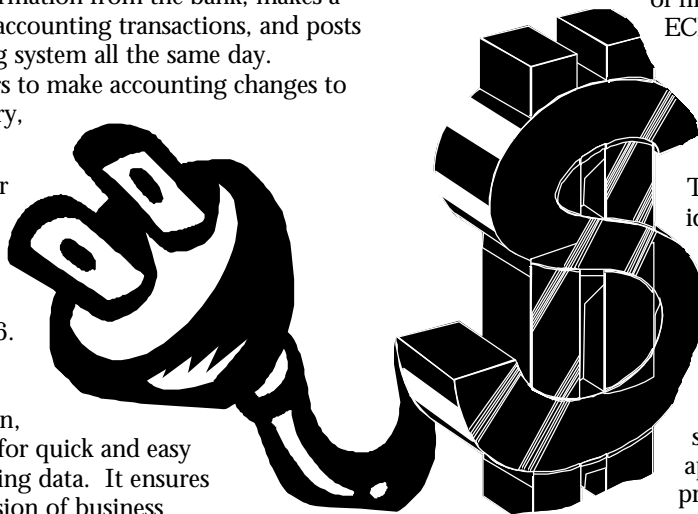
The benefits of the CCS and VA's task order with Citibank are available to your organization through a reimbursable agreement. The FSC can receive your data from the bank, make an electronic payment, and pass accounting transactions to you in a format that can be used with your accounting system. You can also choose to "piggyback" on VA's task order and receive all of its benefits at a minimal cost.

*Continued on page 16.*

## Call for Electronic Commerce (EC) "Best Practice" Presenters

The Financial Implementation Team for Electronic Commerce (FITEC) and the Federal Electronic Commerce Program Office (ECPO) have jointly hosted four Electronic Commerce Best Practices Conferences in the GSA Auditorium.

Created by the CFO Council to assist the Federal financial community in its efforts to respond constructively to the President's electronic commerce (EC) initiative, FITEC represents the discipline of finance in this joint sponsorship, while ECPO represents the discipline of procurement.



FITEC and ECPO are firming up the agenda for their fifth Best Practices Conference, to be held September 15th. They depend on Agency's input to identify the relevant topics and presenters. On the anniversary of their first call for best practices, they are requesting your assistance in the following ways.

Take a few minutes and examine your Agency's inventory of current and potential EC activities. FITEC actively seeks to identify and feature those applications that integrate financial and procurement operations.

Select the practices you believe would be informative to others who might be facing similar implementation issues. If your selection has been presented in earlier conferences, check to see if significant changes have been made in the interim that would warrant a BP update. If you have several eligible candidates for BP conference presentations, plan to schedule one for the September conference and one for the following conference. Contact FITEC for more information on the next steps, via e-mail, they can be reached at [sharon.matthews@gsa.gov](mailto:sharon.matthews@gsa.gov), or by phone at 202-219-8686.

The second way that you can assist in insuring that the conferences meet your needs is to submit questions or issues that you would like to see addressed in this forum. Forward those comments to FITEC at the above address as well.

### **Recent Practices Featured**

Over the last two years, twenty-seven Best Practices have been presented in the FITEC/ECPO EC Best Practices Conferences. They range in subject matter from electronic malls and invoicing systems to Web-based procurement systems to smart card applications, and many more. Many have resulted in dialogs between the presenters and members of the audience on alternative approaches for addressing the issues one confronts in implementing and/or operating such applications.

*Continued on page 16.*

*Y2K, continued from page 8.*

Year 2000 reviews are ongoing at the Departments of Agriculture, Defense, Education, Health and Human Services (Medicare), Housing and Urban Development, Interior, Justice, Labor, State, Treasury (including the Customs Service and Internal Revenue Service), and Veterans Affairs. Further work is underway at FAA and the Social Security Administration. Finally, GAO is examining issues that cut across government, such as data exchange problems, telecommunications issues, and workforce issues.

### **Governmentwide Progress**

The Federal government is not where it needs to be in order to ensure that its mission-critical automated systems will function as required beginning January 1, 2000. GAO's April 30, 1998, report, *Year 2000 Computing Crisis: Potential for Widespread Disruption Calls for Strong Leadership and Partnership* (GAO/AIMD-98-85), was sobering:

"While progress has been made in addressing the federal government's Year 2000 readiness, serious vulnerabilities remain. Many agencies are behind schedule. At the current pace, it is clear that not all mission-critical systems will be fixed in time. Much more action is needed to ensure that federal agencies satisfactorily mitigate Year 2000 risks to avoid debilitating consequences."

In that report, GAO made 11 specific recommendations to the Chairman of the President's Council on Year 2000 Conversion. They included:

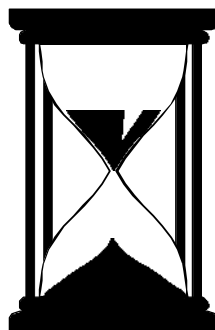
**Developing a broad assessment of the nation's Year 2000 readiness.** Currently, no such assessment exists that includes risks to the nation's key economic sectors, including international links and the failure of critical infrastructure components

**Establishing governmentwide priorities** for systems affecting health, safety, national security, and the economy. Agencywide priorities should likewise be in place so that personnel and other resources can be shifted, if necessary, to ensure that the most critical systems are addressed first.

**Ensuring end-to-end operational testing across agency boundaries,** to help ensure that critical business processes work as intended.

### **Mandating quarterly reporting by significant independent establishments**

not currently required to report their Year 2000 readiness status, such as the U.S. Postal Service and the Securities and Exchange Commission. Such agencies are also responsible for Year 2000 readiness, and should therefore be included in progress reporting.



**Developing an audit strategy that addresses reviewing and verifying** agency Year 2000 programs, involving inspectors general or other independent sources.

**Developing a strategy to retain/rehire staff with Year 2000-related expertise** to ensure that those with the appropriate skills will be available through the turn of the century.

**Ensuring the development of business continuity and contingency plans** so that a minimum level of service can be maintained in the event of Year 2000-induced failures.

### **Impact on Key National Economic Sectors**

The impact of the Year 2000 computing crisis will be felt far beyond the boundaries of government—federal, state, and local. It will also cross national barriers. Domestically, along with its impact on key government functions such as benefits payments, national defense, and revenue collection, important economic sectors likely to be affected include *manufacturing and small business; banking and finance; health, safety, and emergency services; telecommunications; transportation; and utilities.*

What are some areas of particular risk? Banking is one of America's most information-intensive businesses; any malfunctions caused by the century date change could affect a bank's ability to meet its obligations. Implications are likewise serious for the health, safety, and emergency services sector—in terms of patient care and scientific research—because of medical devices and laboratory equipment.

*Murphy, continued from front page.*

investments of the multi-billion dollar trust and other U.S. Government accounts.

Jerry began his career in the Federal government at the Department of the Navy in 1957. He joined the Treasury Department in 1959, and has served in a variety of managerial positions. He served as Deputy Commissioner of the Financial Management Service for 4 years until he was named as the Deputy Fiscal Assistant Secretary in 1979.

Mr. Murphy has served as a Board member of the Federal Accounting Standards Advisory Board since its establishment in January 1991. He has also served six years as a member of the National Council on Government Accounting, and five years on the Governmental Accounting Standards Advisory Council.

Mr. Murphy received Treasury's Meritorious Service Award, the Secretary's Honor Award, the Benjamin Franklin University Distinguished Alumni Award, the Association of Government Accountant's Robert W. King Memorial Award, and a Presidential Meritorious Rank Award. Mr. Murphy is a Certified Public Accountant (CPA) and a Certified Government Financial Manager (CGFM). He is a member of the American Institute of CPA, and is past National President of the Association of Government Accountants.

The JFMIP and the financial management community will truly miss his leadership and wisdom. We wish him and his family the best in life. □

GAO expects to continue reviewing and reporting on Year 2000-related matters into the next century, as the potential effects of this crisis continue to broaden.

For more information on GAO's work on the Year 2000, contact Joel Willemssen, Director, Civil Agencies Information Systems, Accounting and Information Management Division, at (202) 512-6253, or by e-mail at [willemssenj.aimd@gao.gov](mailto:willemssenj.aimd@gao.gov). For a listing of all related reports and testimony statements, see the GAO web site at <http://gaoweb/issues/pathways.aimd/2000yr0.htm>. □

## FASAB Update

In June, the Federal Accounting Standards Advisory Board (FASAB) forwarded Statement of Recommended Accounting Standards Number 10, Accounting for Internal Use Software, to its sponsors (the Department of the Treasury, the Office of Management and Budget (OMB), and the General Accounting Office (GAO)) for approval. Under the provisions of this statement, internal use software is classified as "general property, plant, and equipment" (PP&E) as defined in Statement Number 6, Accounting for Property, Plant, and Equipment. This statement includes software used to operate a Federal entity's programs and software used to produce the entity's goods and services. After approval by the Board's sponsors, the statement will be published by OMB and GAO and become authoritative.

The Board held a two-day meeting on June 25 and 26, the second day being a public hearing on proposed amendments to the Property, Plant, and Equipment Standard.

### *June 25 Board Meeting*

#### **Credit Reform**

To assist Board members in assessing the usefulness of the subsidy components information required in paragraph 25 of SFFAS 2, Accounting for Direct Loans and Loan Guarantees, and the difficulty agencies would have in preparing the information, representatives from the Small Business Administration (SBA) and the Department of Education reported on their agencies' activities concerning credit subsidy components. Representatives included John Kushman, Director for Financial Administration, SBA and Maureen Smith, Director for Financial Management Operations, Education.

SBA has built a computerized data base for credit reform loans and loan guarantees, which serves both their budgeting and financial reporting systems. Using the data base, the subsidy costs and components for credit programs can be easily retrieved, and the amounts of subsidy

components, as required in SFFAS No. 2, can be calculated. Since this system was established to meet the credit reform budget requirements, the system can, with little effort, meet the financial reporting requirements in the standards.

Education has a computerized subsidy estimation model for loans and loan guarantees. The subsidy estimation process is from bottom up: from risk category level to cohorts, and to programs. The model's data output is used in budgeting, financial reporting, and program management. The staff reviews and updates the model assumptions and subsidy rates continuously. Management focuses on risk areas, and the high risk loans in particular. As a result, providing default information is the system's number 1 goal for "gate-keeping"—to stop making loans with unacceptable default risks. The information, however, is provided to management from the system rather than through financial statements.

While the presentations from both of these agencies provided information on how entities could comply with the requirement in paragraph 25, they were not intended to address the issue of whether the information required in that paragraph is useful to users of Federal agency financial statements. The FASAB staff will continue to gather opinions among potential users, such as Congressional staff members and others who might be knowledgeable about users' needs, such as the American Institute of Certified Public Accountants (AICPA) subcommittee on Government Accounting and Auditing.

#### **Management's Discussion and Analysis**

The Board considered a draft statement of concepts and standards for management's discussion and analysis (MD&A). The draft reflected changes the Board had discussed at its April meeting. The new draft standard defines MD&A as required supplementary information instead of other accompanying information, but the standard is general rather than prescriptive.

The proposed standard indicates that a report that presents a Federal reporting entity financial statements in conformance with Federal accounting principles should include management's MD&A of the financial statements and related information. MD&A should provide a clear and concise description of the reporting entity and its mission, activities, program and financial performance, and financial position. MD&A should provide a balanced presentation that includes both positive and negative information about performance, trends, systems, and controls. Federal entities' financial reporting should include MD&A sections that address mission and organizational structure, performance goals, objectives, and results; financial statements; and systems and controls.

The draft MD&A document will be split into two documents and re-exposed for sixty days. One exposure draft will be a statement of standards, the other a statement of concepts. The Board decided on re-exposure because the statements had changed significantly in response to comments received during the first exposure period.

#### **New Projects**

The Board considered two new projects: (1) Custodial Balance Sheets and (2) Statement of Financing:

For the Custodial Balance Sheet project, the issue is whether agencies should utilize "custodial balance sheet" to account for the assets and liabilities associated with the collections shown on the Statement of Custodial Activity, in light of the standards in effect for FY 1998 and the OMB Bulletin 97-01, Form and Content of Agency Financial Statements. The Board concluded that it should monitor the FY98 reports and consider the issue after the initial period of experimentation by agencies.

For the Statement of Financing, the objective of the project is to consider the implementation problems agencies are experiencing with this Statement, which is a

*Continued on page 12.*

*FASAB, continued from page 11.*

new report for FY 1998, and with consolidating the Statement of Budgetary Resources. The Statement of Financing reconciles Budgetary and Nonbudgetary Resources Used during the period to Net Cost of the period. To accomplish this reconciliation, differences between the budget and accrual basis must be identified and included in the appropriate section of the statement. Many agencies are indicating that they do not have the systems or personnel to accomplish this reconciliation. The Board will issue an exposure draft to solicit views on: (1) a possible deferral of the requirements for these two statements or (2) a phased approach to this requirement.

### **June 26 FASAB Public Hearing:**

On June 26 the Board held a public hearing on the exposure draft (ED) for Amendments to Accounting for Property, Plant, and Equipment (PP&E). While this ED's proposed amendments and questions related to accounting and reporting for national defense PP&E and multi-use heritage assets, and the effective date of the proposed amendments, the majority of comments presented by the speakers centered on national defense PP&E.

The comments presented at the hearing, along with those received in letters responding to the ED, will now be analyzed by the Board. At the August meeting, members will consider all comments in relation to the proposed amendments to the PP&E standard.

The following speakers made presentations at the hearing:

- Ralph DeGennaro, Executive Director, Taxpayers for Common Sense
- Lisa G. Jacobson, Director, Defense Audits, General Accounting Office (GAO)
- Thomas V. Fritz, President and CEO, Private Sector Council,
- Kenneth Flamm, Senior Fellow, The Brookings Institution
- William J. Lynn, Under Secretary of Defense (Comptroller)/CFO, Department of Defense
- Jesse W. Hughes, Chair, Federal Subcommittee, Standard Setting Committee, Government and

Nonprofit Section, American Accounting Association

- David Cotton, CPA, representing the Federal Accounting and Auditing Subcommittee, American Institute of Certified Public Accountants; and
- Marcus C. Corbin, Program Coordinator, Military Industrial Complex Initiative, Project on Government Oversight

For more information concerning the Board meeting, please contact Dick Tingley, FASAB, (202) 512-7350.

### **AAPC Update**

At its June 11 meeting, the Accounting and Auditing Policy Committee (AAPC) members discussed the Credit Reform document prepared by the Credit Reform Task Force. They were concerned about the document's potential for restricting use of judgment by the auditor and felt that the document was too prescriptive for auditors. The Task Force will revise the document and submit it to the AAPC members for the August meeting. If approved at the August meeting, the draft technical release would be forwarded to FASAB, OMB and GAO for review.

The AAPC agreed to add the following two items to its agenda:

- Sponsorship of a task force to consider guidance on stewardship reporting for stewardship land and heritage assets. AAPC member Robert Dacey (GAO) and a to-be-designated Interior individual will serve as co-chairs of the task force.
- Issues raised by a task force composed of representatives from agencies with property-seizing authority, primarily Treasury and Justice, with recommendations for consistent reporting of non-valued and forfeited items in accordance with SFFAS 3, Accounting for Inventory and Related Property. Committee member William Pugh will chair the AAPC group to develop the issues and make appropriate recommendations to AAPC.

For more information contact the Chair, AAPC, Wendy Comes at (202) 512-7350. □

## New Faces at JFMIP

The JFMIP has a couple new staff members detailed to work on various projects, such as systems requirements and reengineering of the testing and certification of core financial systems. JFMIP has provided several developmental work assignments for participants in the Women Executive Leadership (WEL) Program. The WEL Program is a one-year management development program for men and women that provides supervisory and managerial training and development opportunities for high-potential Federal employees at the GS-11 and GS-12 level. The WEL Program is open to regional and local employees.



*Patrice Williams*

The new WEL Program participant is Patrice Williams, who is on a 60-day detail at JFMIP. She is a senior accountant at the Department of Energy, where she worked in accounting operations and policy. At JFMIP, she is working on financial system requirements, and updating the core competencies for accountants.

Congratulations to all of our WEL Program participants who graduated this summer: Allison Bowden (CIA), Sonja Ealey (CIA), Pamela Perrin (GSA), Anderia Thomas (Labor), and Patrice Williams (Energy).



*Rob Jury*

Also new at JFMIP is Rob Jury who is working as an intern. Rob is currently a senior at the University of Iowa. Originally

*Continued on page 22.*

*GPRA, continued from page 7.*

agency needs to set goals that establish readily observable achievements, and develop measures that assess progress towards achieving those goals. This basis for comparison can strengthen accountability. For example, decisionmakers may ask whether the proposed benefits to be achieved appear adequate, given the level of funding. Also, an agency's performance plan should link the agency's mission, strategic goals, and program activities and show their relationship to the performance goals. These relationships show whether the agency is on a path to achieve its strategic direction and provide a link between an agency's budgetary resources and performance. In addition, for agencies with related strategic or performance goals, the plans can aid in determining whether individual agencies are coordinating similar activities and developing complementary or common measures, where appropriate.

2. Strategies and Resources: "How well does the performance plan discuss the strategies and resources the agency will use to achieve its performance goals?"

A performance plan should demonstrate that an agency has the necessary strategies and resources to achieve its goals. To do this, the plan should describe the specific actions that the agency plans to take to accomplish its intended goals. In addition, the plans

should discuss how resources—capital, human, and others—are being applied to carry out those actions. For example, decisionmakers may ask if the agency's discussion of its financial resources shows progress in developing a cost accounting system that can provide reliable performance data, such as the full costs of particular programs. The plan also should refer to the agency's capital assets, information technology, and financial management plans where the contents of those plans are related to the resources an agency needs to achieve its performance goals. Without a clear description of the strategies and resources an agency plans to use in the upcoming fiscal year, it is difficult for decisionmakers to assess the likelihood of the agency's success in achieving its intended results.

3. Verification and Validation: "To what extent does the agency's performance plan provide confidence that its performance information will be credible?"

A performance plan should describe whether an agency has verification and validation procedures such as internal controls, financial audits, and program evaluations to help assure credible performance information. The usefulness of an agency's performance information depends on the degree of confidence that can be placed in that information. For

example, decisionmakers may ask if the agency's most recent financial audit found that it has financial systems and internal controls to assure that the data it collects are sufficiently complete, accurate, and consistent. However, some agencies have recognized that although complete, accurate, consistent information is indispensable to decisionmaking, collecting the needed data can be difficult and costly. Agencies should identify data limitations and data collection trade-offs for decisionmakers and make an effort to identify actions needed to improve their data or otherwise address those limitations to avoid inaccurate assessment of goal achievement.

GAO invites your comments on these guides. For copies, call (202) 512-6000. An electronic version of the congressional guide is available on GAO's Internet web page at [http://www.gao.gov/special.pubs/10\\_1\\_18.pdf](http://www.gao.gov/special.pubs/10_1_18.pdf) and of the evaluator's guide at <http://www.gao.gov/special.pubs/gg10120.pdf>. GAO will issue a revision combining both guides this summer that will reflect agencies' and Congress' experiences with annual performance planning and provide examples drawn from the agencies' 1999 plans. This revision should be of use to agencies in preparing future annual performance plans. □

*CFO Fellow, continued from page 4.*

interest. Organizations that are interested in specific Fellows will make offers to them. If a Fellow is offered more than one assignment, the Fellow may choose the assignment that he/she determines is most appropriate.

**Eligibility and Selection Criteria**

Candidates of the CFO Fellows Program must be employees of a CFO Council agency and must have served as a GS-13 equivalent or above, in a Federal financial management capacity for at least 1 year. Each CFO Council agency may nominate up to three candidates. A CPA or CGFM certification, or a degree with concentration in financial management is highly desirable. Candidates are approved by a selection committee and placed into six host agencies that have submitted qualified plans that can be matched to the professional needs of the chosen candidates.

**Application Procedures**

Each candidate is required to submit an application package through his/her supervisor that includes the following information:

1. Resume-The resume should describe the individual strengths and previous work experience of the candidate.

2. Statement of Development Plans - A thoughtful description (maximum of two pages) of the benefits that the candidate expects to derive from the program and expected results that the candidate plans to apply upon return to his/her agency.

3. Sponsoring Agency Endorsement - The candidate must present a letter from his/her immediate supervisor endorsed by the agency CFO that nominates the candidate. The candidate may also include in the application package no more than two letters of recommendation.

NOTE: All applications must be received by the Graduate School, USDA, by February 5, 1999, at the following location:

Graduate School, USDA  
National Capital Training Center  
600 Maryland Avenue SW, Suite 280  
Washington, DC 20024-2520  
ATTN: John Amey

**Cost**

Salary and training costs (approximately \$6,000) will normally be equally shared between the Fellow's home organization and the pertinent host organization. Agencies may negotiate other arrangements if mutually agreeable. All travel, relocation, and other costs associated with the program will be the responsibility of the host agency.

**Schedule**

February 5, 1999—Closing Date for Application with supervisory and CFO endorsement  
March 19, 1999—Announcement of Fellows  
April 1999 - May 2000—Program Year

**For More Information**

The Graduate School, USDA, should be contacted for more information on the CFO Fellows Program. Please call John Amey, Financial Management Training Senior Program Manager, (202) 314-3408, or Deanna Turay (202) 314-3407. □

## Human Resources Committee Update

The Human Resources Committee of the CFO Council has undertaken several high priority projects to strengthen the federal financial management workforce. Each of these projects grows out of the Committee's now completed work to develop a set of core competencies for Federal financial management personnel. This effort, begun in 1994, has resulted in five important publications:

- *Framework for Core Competencies in Financial Management*, which provides core competencies for budget analysts, accountants, and financial managers;
- *Core Competencies in Financial Management for Program Managers*;
- *Core Competencies in Financial Management for Information Technology Personnel in the Federal Government*;
- *Core Competencies for Financial Systems Analysts in the Federal Government*; and
- *Core Competencies in Financial Management for Management Analysts and Financial Specialists*.

The core competencies serve as a foundation for the improvement of the financial management workforce. The HRC and JFMIP have established a core competency review board to ensure that the competencies documents are constantly updated with existing and emerging requirements. Initial work is underway to validate and update core competencies for budget analysts, accountants, and financial managers.

The Committee is now building on

*Continued on page 18.*

## Fast Track of JFMIP Human Resources-Payroll System Requirements

Federal human resources and payroll experts have put the JFMIP system requirements document for civilian personnel, on a fast track to be updated as quickly as possible. The JFMIP document, *Personnel-Payroll Systems Requirements* was originally issued in May 1990. There have been several major statutory, regulatory, and other changes that affect these systems requirements, e.g., the Federal Financial Management Improvement Act (FFMIA) of 1996. One of the FFMIA's stipulations is that Federal financial systems must comply substantially with JFMIP systems requirements.

In addition, the JFMIP issued the *Framework for Federal Financial Management Systems* document in January 1995, that included a variety of general systems type requirements, such as: requirements for internal controls, data stewardship, and systems architecture. Since the *Personnel-Payroll System Requirements* document preceded this issuance, the references to these areas are no longer needed in the individual JFMIP systems documents. Technological advancements in terms of graphical user interfaces, Internet,

*Continued on page 18.*

## Labor Issues 1997 Accountability Report

The Department of Labor (DOL) joined eleven other pilot agencies this year in publishing a 1997 *Accountability Report*. The report is designed to streamline and consolidate program and financial information reported to Congress and the Office of Management and Budget.

The *Accountability Report* includes and integrates information on agency program performance compared with the stated goals and objectives; the Federal Managers' Financial Integrity Act (FMFIA) report; the Chief Financial Officers (CFO) Act Annual Report (including audited financial statements); Management's Report on Final Action, as required by the Inspector General Act; the Debt Collection Improvement Act report; the Federal Civil Monetary Penalties Inflation Adjustment Act report; and, the Prompt Payment Act report.

The report is organized by the Secretary of Labor's three Strategic Plan goals: **A Prepared Workforce**- Enhancing opportunities for America's workforce; **A Secure Workforce**- Promoting the economic security of workers and families; and **Quality Workplaces**- Fostering quality workplaces that are safe, healthy, and fair. In addition, there is a Financial Management

Accountability Section, which discusses many of the financial indicators previously published in separate reports.

The Department's Audited Financial Statements, including Notes and Supplementary Statements, are listed in the report as well. Labor received an unqualified

*Continued on page 19.*





## Recruiting and Retaining Financial Management Employees - Useful Tools

**R**ecruiting and Retaining Financial Management Employees - *Useful Tools* is a new publication to help financial managers recruit and retain personnel with the skill attributes needed to meet the demands on Federal CFO organizations. It was prepared by a joint work group of the Human Resources Committee of the CFO Council and the Interagency Advisory Group (IAG) of Federal Personnel Directors.

The document pulls together and summarizes authorities currently available to Federal financial managers for incorporation into recruitment and retention strategies. While these authorities are distributed through three volumes of Title V of the Code of Federal Regulations, this publication condenses them into only five pages. Some of the authorities are little known or rarely used, such as recruitment bonuses and retention allowances.

The issue of qualification requirements is also addressed. The document describes qualification tools such as selective factors, specialized experience, and quality ranking factors. Each of these is an important element of the vacancy announcement process to ensure that the people with the knowledge and skills most pertinent to a particular job will make it to the certification list.

*Continued on page 19.*

## CFOs Rank Human Resources as #1 Concern

by: Sonja Warner Ealey\*

**Overview.** Shortly after Karen Cleary Alderman's appointment as the Executive Director of the Joint Financial Management Improvement Program (JFMIP) in January 1998, she began meeting with the Chief and Deputy Chief Financial Officers (CFO) to outline JFMIP's current portfolio, gain insight into how JFMIP might assist their organizations, and focus attention on the issues they are facing. To date, Ms. Alderman has met with over half the 24 major Federal agency CFO offices and asked them to identify the top three areas where they would like to see improvements made. Three major themes surfaced from these conversations.

**Human Resources.** Overwhelmingly, CFO leadership cited human resources as their number one concern. "Doing more with less," a term most commonly associated with downsizing and personnel numbers, has taken on an expanded meaning. Many cited a work force imbalance between the skill and knowledge of the existing work force and the emerging requirements necessary to successfully manage audited financial statements, accountability reports, performance reporting, increasingly sophisticated financial systems, and commercial transaction processing services.

For instance, CFOs note that expanded use of automation and commercial charge

cards for travel and small purchases greatly reduced staff requirements to handle transaction processing, leaving agencies with an excess staff to be redeployed. However, CFO leadership report having an insufficient cadre of staff who possess the breadth and depth of knowledge to address the emerging requirements of the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, the Government Management Reform Act of 1993, the Federal Financial Management Improvement Act of 1996, and the Federal Accounting Standards Advisory Board. The perception is that the skills of the Federal financial work force must grow to keep up with changing demands. There is concern that personnel with these skills are often overworked. With their skills in demand and repeatedly called upon to perform more complex tasks, key personnel are perceived as increasingly hard to retain. In a time of budget reductions, resources to train or recruit broad based financial managers have been limited.

To respond to the problem, the CFO community suggests modification of qualification standards currently in place for Federal financial personnel to support enhanced capability, development of more flexible recruitment tools, and adoption of policy to require continuing professional education. The CFO Council's Human Resources Committee, chaired by Kenneth Bresnahan, is leading the effort and is devising strategies to address these issues.

### Changing the Culture to Cost-Risk Trade-offs.

Another frequently surfaced issue was the need for financial and oversight communities to support common

*Continued on page 19.*



*VA, continued from page 9.*

This FSC system is designed to be similar to our Credit Card System (CCS). The Prime Vendor Pharmacy (PVP) contract process is an automated system which is used to electronically access pharmaceutical purchase orders, related daily billings, and issue electronic payments daily to the bank. The system also formats those transactions for automated posting to an accounting system.

VA partnered with the banking institution to develop a solution similar to CCS. The Primary Vendor (PV) sets up an account with the bank, the PV uses a specific purchase order number on the VA order, the PV includes that information on its daily billings to the bank, the bank pays the PV and bills the FSC, and the FSC pays the bank via EFT. This is also a daily process, like the CCS.

The system was designed to allow VA facilities to reassign staff to higher priorities, improve management of payments and credit memos, eliminate paper burden, and streamline processes using latest technological advances.

This has resulted in reduced intensive labor input by VA staff as well as by vendors. The system ensures fast, accurate, and reliable transmission of business information; reduces the paper burden; and improves management of payments and credit memos.

#### ***Automated Check Payment Tracking and Recertification***

The FSC, working closely with Treasury, developed an Internet-accessible system for check payment tracking and recertification. The system provides notification from Treasury of acceptance within 48 hours and an initial notification of disposition from Treasury within an additional 48 hours, reducing the turnaround time from the normal six to eight weeks to four days. The system also provides online status reports and history data.

This is an on-line automated system which uses the Internet to request check payment information from the Regional Finance Center, U.S. Department of the Treasury. The payment tracking and

recertification (PTR) system (i.e., SF-1184 process) was designed to reduce the notification of acceptance and check disposition time it currently takes using the SF-1184 paper tracking process.

The PTR process reduces intensive labor input by staff; ensures fast, accurate, and reliable transmission of payment information; reduces paper burden for all concerned; and provides valuable payment information for customers within 96 hours.

For more information on the Financial Services Center and its services, contact: VA Financial Services Center (104/00B) Business Services Office, P.O. Box 149975, Austin, TX 78714; (512) 460-5010 or via e-mail at bso@mail.va.gov □

*Commerce, continued from page 9.*

Presentation highlights are presented here, to inspire you to visit the FITEC web site and review the profiles of the other 25 presenters or to contact the presenters and start yet another dialog.

#### ***GSA's FedPay***

On a daily basis, the Federal Supply System generates 2,000 to 3,000 purchase orders and transmits or faxes them to hundreds of vendors and forwards a file to FedPay. The vendors ship the merchandise to the customer location indicated on the purchase order and forward their invoice, either on paper or electronically, to the Finance Center in Kansas City for processing by FedPay. FedPay receives 10,000-15,000 invoices electronically every month, but paper invoices are also input to FedPay using a highly efficient data entry process. In addition, for merchandise shipped to FSS depots, FedPay also processes a file of automated receipts.

FedPay is a 10-gigabyte Oracle Database that allows for interactive user input and nearly 100 customized reports. In 1997, all of its tables were redefined to standardize data and eliminate redundancies and all batch programs were rewritten using COBOL and PL/SQL. FedPay processing is done on a RISC 9000 computer system located in Beltsville, Maryland. For more

information, contact FedPay's Project Director, Ed McCay, at 816-823-3470.

#### ***DOE's EC-Web***

DOE introduced its new electronic commerce purchasing system, EC-Web, which provides for simplified acquisition threshold procurements. In developing this system, DOE incorporated over 900 user-defined functional requirements into its design. The resulting system is comprised of four major components:

- EC-Web, the automated procurement application, including requests, requisitions, email-based routing and approval, and vendor database.
- EDI Gateway, which provides EDI translations for electronic solicitations, quotes, awards, and web-based gateway status tracking for buyers.
- Interactive Interfaces to DOE's Financial System so those Funding Managers can electronically query, reserve and obligate funds.
- Hub Services, which were developed by Lawrence Livermore National Laboratory for Wright Patterson Air Force Base, connect to over 4000+ vendor communities via six VANS:

Simplix, Softshare, Datamatics, Harbinger, GEIS, ACS and AT&T.

The current environment also includes the integration of the Departmental Integrated Standardized Core Accounting System (DISCAS) via four interactive interfaces and a new web-based interactive interface from the procurement application to the DOE gateway.

The Department of Energy began using its new electronic commerce purchasing system at its Washington Headquarters in March 1998. By September 1998, DOE's major field offices will be using the system. For More information contact EC-Web's Project Director, Steve Mournighan at 202-586-1148.

For more information on FITEC Best Practices Conferences, contact Sharon Matthews at 202-219-8686. □

## HHS Accountability Report

The Department of Health and Human Services (HHS) recently published its FY 1997 Accountability Report.

This is the Department's second accountability report, but its first report as an official member of the Office of Management and Budget/Chief Financial Officers (CFO) Council Accountability Report Pilot Program for streamlining financial reporting.

HHS Chief Financial Officer John J. Callahan stated, "We have worked to make our financial report understandable and interesting to readers, so that taxpayers can understand our complex organization, our important impact on the Federal budget, and the value of the benefits that citizens derive from our services."

In FY 1997, HHS represented almost 22% of total Federal net outlays and thus plays a key role in the larger governmentwide financial statement audit. Additionally, HHS administers more grants than all other Federal agencies combined.

HHS has twelve operating divisions including: the Health Care Financing Administration (HCFA -administering Medicare and Medicaid), the Administration for Children and Families (ACF), the Food and Drug Administration (FDA), the National Institutes of Health (NIH), and the Centers for Disease Control and Prevention (CDC). Eight of the twelve operating divisions (accounting for 99.5% of both HHS assets and expenses) received full scope financial statement audits, and each received a qualified opinion. All twelve operating divisions were highlighted in the report.

The report includes departmentwide consolidating financial statements and the auditor's qualified opinion, an improvement over the FY 1996 disclaimer of opinion. The principal financial statements were presented by budget function; the supplementary schedules presented the consolidating financial statements restated by operating division.

The HHS FY 1997 Accountability Report highlights many programmatic and financial management accomplishments including:

- Decreasing the welfare rolls;
- Making health research and information more accessible to the public via the Internet;

- Improving consumer information on dietary supplements labels;
- Achieving advances in research;
- Controlling foodborne illnesses;
- Preventing, detecting, and prosecuting Medicare and Medicaid fraud;
- Expanding financial statement audit coverage to NIH and CDC; and
- Improving the results of our financial statement audit opinion.

The report is equally candid about the many challenges facing the Department such as:

- Implementing the Balanced Budget Act of 1997;
- Providing Health Care to America's uninsured children;
- Controlling health care costs;
- Preparing for the Year 2000;
- Reducing the Medicare fee-for-service payment error rate; and
- Implementing new accounting standards and reporting requirements.

Enhancements to the FY 1997 report include more information on management's response to audit findings and expanding the reporting on accomplishments of the twelve HHS operating divisions. For copies of the report, please call (202) 690-6176. The HHS FY 1997 Accountability Report is available at [<http://www.hhs.gov/progorg/fin/report97.html>]. □

## Monterey FM Conference

The San Francisco Bay Area Federal Financial Managers Council (SFBA FPMC) is sponsoring its 14th annual Financial Management Conference on August 31 - September 2, 1998 in Monterey, California. The theme of this year's Conference is *Building Financial Management Partnerships*, and will feature speakers who will highlight financial management changes and how the Federal entities are partnering with others to improve financial management. The agenda includes:

### August 31

- CFO Activities and An Update on Human Resources Issues—Kenneth Bresnahan, Acting Chief Financial Officer, Department of Labor;

- Why Financial Management is Important to an Agency Chief Executive Officer—Dennis Fischer, Commissioner, Federal Technology Service, GSA
- The Virtual Office at GSA—Robert Suda, Controller, Federal Technology Service, GSA
- Lessons Learned from Developing an Accountability Report—John Sander, Deputy Director, Office of Financial Policy and Management Controls, Department of State
- Our Balance Scorecard: A Method of Doing Performance Measures—Dale DeVries, Superintendent, U.S. Mint, San Francisco Office

### September 1

- Program Managers—The True Financial Managers in the Federal Government—Irwin (Ted) David, CFO, National Weather Service
- CFO Performance Management Committee Activities—Rita McPheeters, Assistant to the DCFO, Department of the Treasury
- The Role of Cost Accounting in the Management of Federal Programs—Ron Longo, Senior Manager, KPMG Peat Marwick
- JFMIP and Financial Systems Update—Karen Alderman, Executive Director, JFMIP
- The Impact of Partnership Councils on Financial Management—James Nordin, Regional Director, Financial Management, USDA, Food and Consumer Service
- Current Practices in Reengineering Financial Management Operations—Morgan Kinghorn, Partner, Price Waterhouse Coopers; Pete Roussopoulos, Director, Forest Service, Southern Research Station; Cliff Williams, Manager, Price Waterhouse Coopers

### September 2

- Getting All of Your Ducks in a Row: Realigning Your Budget Structure for GPRA—Sallyanne Harper, CFO, EPA
- Major Concerns of the Federal Financial Managers Council—William Eargle, Chair, FPMC, Washington DC
- An Update on FMS Cash Management Activities—Bettsy Lane, Director, Cash Management, Financial Management Service, Department of the Treasury

The conference is located at the Doubletree Hotel in Monterey. More information can be found at its website: <http://cfo.arc.nasa.gov/FFMC/conference.htm> □

HRC Update, continued from page 15.

the foundation of core competencies with specific initiatives in the following areas:

**Qualification and Classification Standards**

The HRC gained OPM's commitment to collaborate on thoroughly evaluating and upgrading current qualification standards for the financial management occupational series. A series of focus groups to document current and emerging work requirements took place in April and May 1998 as a first step in this joint venture. A proposal for revision of the standards will be developed by July 1998.

**Recruitment and Retention**

The HRC worked last winter with the Interagency Advisory Group (IAG) of senior human resource directors to catalog current authorities for recruitment and retention of financial management professionals. *Recruiting and Retaining Financial Management Employees - Useful Tools* summarizes in a few pages existing authorities - some rarely used or little known - from three volumes of Title V of the Code of Federal Regulations. This publication, which has been available on FinanceNet for some time, has now been published in hard copy for use by federal managers. Copies are available from the HRC contact identified at the end of this article.

HRC's collaboration with the IAG identified the value of using selective placement factors in recruiting to ensure that the most qualified individuals will rise to the top of candidate certifications. This is a current authority that may be underutilized by selecting officials. The HRC will develop model selective placement factors for various positions, and then issue a policy from the CFO Council to strongly encourage their use in the identification of candidates. The Committee will identify the range of positions, produce the models, and issue the policy guidance by March 1999.

HRC is also working with OPM to maximize recruitment from the Presidential Management Intern (PMI) program. The HRC will identify colleges and universities that OPM will add to its list of recruiting sources for the next cycle. The Committee will arrange with OPM to participate in promotional activities and get the word out

that the Government is looking for highly talented financial managers.

**Continuing Professional Education (CPE)**

The HRC and the Private Sector Council sponsored the Federal Financial Education Forum in February, which was hosted by the University of Maryland School of Public Affairs. The Forum drew together Federal leaders, education providers and industry representatives to recommend future directions for development of Federal financial professionals. Participants at the Forum emphasized the need to establish a standard for CPE and require all financial management employees to meet that standard. The HRC will develop a statement of principles for CPE and will work with OPM and other appropriate organizations to implement a standard. The statement of principles will be developed by July 1998. The HRC will also prepare a policy statement for consideration by the CFO Council that will articulate the value of qualified professional instruction as demonstrated by appropriate academic accreditation. This statement was approved by the Council in its July meeting.

Copies of the publication, *Recruiting and Retaining Financial Management Employees - Useful Tools*, can be obtained by calling DOL at 202-219-8341, ext. 105 or by e-mailing your request to: [green-willa@dol.gov](mailto:green-willa@dol.gov). □

System Requirements, continued from page 14.

client servers, and others provide significantly greater capabilities than at any time in the past. For these and other reasons, it has become necessary to update most of the existing JFMIP systems requirements documents, and develop requirements documents where none existed in the past.

With regard to human resources and payroll system requirements, G. Edward DeSeve, Acting Deputy Director for Management, Office of Management and Budget (OMB) and Chair, JFMIP Steering Committee, hosted a meeting for the update of these system requirements on April 6, 1998. The meeting was attended by the current Federal agency providers of human resources and payroll systems services, as well as Governmentwide policy organizations, such as OMB, and the Office of Personnel Management. It was agreed at

the meeting that requirements documented by the Human Resources Technology Council (HRTC) in November 1997, would be used as a baseline to revise the JFMIP personnel/payroll system requirements document.

Karen Cleary Alderman, JFMIP Executive Director, and R. Schuyler Leshner, Deputy Chief Financial Officer for the Department of the Interior and Chair of the Chief Financial Officer's (CFO) Council Financial Systems Committee (FSC), are serving as co-chairs of the project. The co-chairs requested comments on existing personnel/payroll requirements documents, and asked for volunteers to serve on a working group to update the JFMIP document.

A kick-off meeting of the requirements update work group was held on May 20, 1998. Most of the current Federal agency providers of human resources and payroll systems services were represented, as well as governmentwide policy organizations. Agency volunteers were requested to review the requirements and submit their changes to JFMIP. Dennis Mitchell, detailed from Treasury, played a key role in getting the revised document updated with the agency comments. A three-day requirements working session from June 16-18 followed, where a draft human resources and payroll system requirements document was developed.

The revised draft was distributed to the CFO Council's FSC at its monthly meeting on June 29th, and to the HRTC Planning Committee at its June 30th meeting. The revised draft was also distributed to the JFMIP Steering Committee for their comments. The General Accounting Office (GAO) Steering Committee member suggested some more changes were needed in the revised *Human Resources-Payroll System Requirements* before it was posted electronically on the Internet. GAO is working on the changes, and the exposure draft of these requirements is expected to be posted on the FinanceNet JFMIP webpage in August. JFMIP would like comments by early September and anticipates that the final human resources-payroll system requirements will be issued in the fall. For more information, please contact Dennis Mitchell, JFMIP at (202) 512-5994, or email [mitchell.d.jfmip@gao.gov](mailto:mitchell.d.jfmip@gao.gov). □

*#1 Concern, continued from page 15.*

acceptance of cost-risk trade-offs. CFO leaders recognize that the legislative mandates have resulted in "mission change" and "mission creep." For instance, some CFOs believe an "expectations gap" exists between external mandates and what agencies can realistically deliver. Managerial cost accounting was cited as one example. Managerial cost accounting standards and systems requirements were issued in 1997 and 1998, respectively. But the tools to fully implement it are not in place. There needs to be some recognition of *reasonable* progress against requirements.

Similarly, mandated audited financial statements changed what is expected of both the financial community and the audit community. There is a perception that the changed basis for oversight resulted in expanded opportunity for the audit community to engage in a "gotcha" mentality. In order to realize the benefits expected from using the disciplines imposed by recent legislation, the culture and common focus among program managers, financial managers, and the audit community must be on achieving constructive progress. Finger pointing and blame for not passing the heightened bar becomes a resource sump and a distraction. CFO leadership calls for ameliorating the adversarial mentality to support innovative management, risk-taking, and change-management. They cite the private sector model where the independent auditor is perceived as focusing on solutions to address management problems over achieving headlines by exposing corporate management to bad press.

**Digital Signatures.** A resolution to digital signatures also made the top three. A great deal of emphasis has been placed on making the Federal government function more effectively and efficiently. The Paper Reduction Act of 1995 requires the Federal government to reduce its reliance on paper for business processes. Technology allows for the conduct of electronic processes. However, availability of digital signature services that meet Federal standards was perceived as a barrier to taking advantage of fully electronic processes. Several CFOs expressed interest in obtaining an acceptable paperless process at reasonable costs—a solution where cost and risk were balanced. CFOs were interested in finding a heterogeneous approach to digital signature in order to avoid multiple, system-unique

signatures and attendant infrastructure requirements and cost.

A common public-private key infrastructure that supports the use of digital signatures and provides authentication and confidentiality of electronic transactions will allow agencies to move to web-based applications. The common view was that Government cannot afford to build unique capabilities. CFOs are looking to the commercial market place to set an appropriate standard for business transactions and to underwrite the commercial infrastructure to support those standards. The hope is that commercial sector demand for secure web-based electronic commerce will establish the private sector public private key infrastructure capability that may also serve government business needs.

**Reactions to the Current JFMIP Portfolio.** In addition to providing insights on emerging issues, the CFOs were asked for their views on the current JFMIP portfolio: organize governmentwide systems requirements for core accounting and feeder systems; reengineer the current processes for testing, certifying, and acquiring core financial system; and establish a common electronic knowledge base to share information. CFOs generally supported the goals. CFOs support the need for a "recipe" for success in implementing new core accounting systems. This process was characterized as infrequent, highly complex, in a rapidly changing commercial software market, and governed by a difficult procurement processes. They want simplification, more effective sharing of successful practices, access to products that meet government standards, and reduced risk.

The case for organizing the commercial market for feeder systems was not as clear to many CFOs. The nexus must be more closely drawn between JFMIP issuance of government systems requirements and the availability of high quality commercial products to meet government needs at a reduced process cost. These conversations underscored the management and communications challenges that lie ahead for JFMIP and the imperative for JFMIP to demonstrate value to Government agencies and the vendor community in reducing the cost and risk of implementing financial systems.

\* Sonja Warner Ealey is a CIA Budget Officer assigned to JFMIP under a Women's Executive Leadership Program developmental assignment. She accompanied Ms. Alderman on the CFO visits as part of that assignment.

*Labor, continued from page 14.*

opinion on its 1997 Financial Statements, a key measure of the Department's financial stewardship of taxpayers' dollars.

Financial data, program data, and relevant audit recommendations are brought together in the text so that the reader gets a complete picture of each programmatic area. Charts, graphs, and examples are used throughout the report to improve understanding, and an easy-reading style of writing has been employed throughout the document.

In order to set the stage for future improvements, DOL has joined the Association of Government Accountants (AGA)/CFO Council pilot Accountability Report Certification of Excellence program.

The report is posted on the DOL OCFO website at <http://www.dol.gov/dol/ocfo/public/media/reports/account97.htm>. Additional copies may also be ordered by contacting Mark Wolkow at 202-219-8341 x123, or via email at [wolkow-mark@dol.gov](mailto:wolkow-mark@dol.gov).

*Tools, continued from page 15.*

Both the CFO Council and the IAG recognize that the current authorities don't go far enough to adequately serve the financial community and are working on several fronts to remedy this. A summary of those efforts is presented in this issue's Human Resources Committee Update article. Further information is available from the Human Resources Committee's home page on FinanceNet.

The publication has been distributed to CFOs and to Human Resource Directors. Additional copies can be obtained by calling the Department of Labor, Office of the Chief Financial Officer, at 202-219-8341, extension 105 or by e-mailing your request to [green-willa@dol.gov](mailto:green-willa@dol.gov). □

*Profile, continued from page 5.*

bringing in new people, talented people that you can grow, to make sure that there is somebody there who's smarter than you to replace you because the Army's mission won't go away.

He credits the Army with having done a good job historically and is among the best at cross training financial managers. He is worried about the civilian human resource future because it is tied, in his opinion, almost exclusively to downsizing. The Army is not bringing in and cross training new people.

Ms. Helen McCoy, Assistant Secretary for Financial Management and Comptroller, has instituted a financial management redesign effort. One of the key elements is to review what has historically been the accountant, budget analyst, financial analyst, and program analyst, career series as defined by the Office of Personnel Management. These individual labels and narrow tracks have traditionally been put on people for career development. A goal under Army financial management redesign is to build a new career design structure for civilian financial managers that would be multi-disciplined and broad based. For example, developing a financial analyst career series with core competencies in accounting, auditing, budgeting, and cost analysis, because that's the kind of capability and versatility that is needed for the job. As you become smaller, you need to be able to move people to be effective in many different areas. You first need to establish a way to help these people become what the Army needs. The effort is to lay out a new track for people so they can be educated, trained, and mentored so they can move into redesigned positions that the Army needs. Mr. Gregory thinks this is important and that the financial management redesign effort addresses individual professional development and growth.

Mr. Gregory believes that there are economies to be gained by centralizing those things that are basically process based. In finance and accounting, DFAS is primarily a processor. From the financial management perspective, you need to decentralize the capability to provide analysis and financial management advice and expertise to every location where decision makers are. The Army is a decentralized organization, from a mission execution standpoint. Commanders are empowered to do their mission and work with the resources that are allocated to them and to make their own decisions regarding how that mission will be accomplished. But when you decentralize and empower commanders and decision makers to do that, you need also to resource them with the analytical and professional capability to assist in their decision making process. You can't do that effectively from a centralized location. You want to make sure that every principal/activity commander has a financial management advisor. It won't be resource heavy, but it must have the capability to provide decision makers with the expertise and financial insight that is critical to their decision process.

When asked about his views on managerial cost accounting, he says that it's nothing new to DoD since they've been implementing cost accounting for 30 years, even though it's not fully in place yet. He believes that the Army is moving toward managerial cost accounting with its initiative on activity-based and support-based costing. Managerial accounting will help everyone to understand and know what things cost, and what drives cost so that cost will

become a more critical part of the decision process and the government can continue to be more efficient.

Mr. Gregory considers communication the most important tool managers could use to improve stewardship and accountability. He believes that they also need to think less vertically within their area of responsibility. He believes that the best tool that a manager has is the tool of communicating horizontally across various functional spectrums. As a financial manager, he believes it critical to engage with and communicate with logisticians, acquisitioners, contracting, and human resource professionals - cross functionally. He is aware that there are more tools available, process reengineering and better technology solutions, but realizes too, that the biggest problem with these is the cultural impact on humans. The limiting factor of the application of technology is the human ability to understand what these tools can really do for you and then gain the confidence to use them. You also need trust and to work together across functions horizontally first and then move vertically from one level of the organization to higher levels.

Mr. Gregory is concerned about the Government Performance and Results Act (GPRA) and the Government Management Reform Act (GMRA). His concern is that the new legislation is good but that no additional resources were given to agencies for implementation. It takes investment to accomplish what CFO, GPRA, and GMRA want. Mr. Gregory believes that GPRA is the biggest tool that you can use to fight waste. As a financial manager he supports this legislation, but fears it won't truly bear fruit until the executive and legislative branches of government are on the same sheet of music.

When discussing his views on audited financial statements, he considers them a by-product, an ancillary result of something that is more important than the financial statement. He also explains that the financial statements are only as good as the processes that generate them. The point of the CFO Act is an integration of functional and financial processes. It is personnel and financial; logistical and financial; acquisition and financial; and medical and financial processes integrated into a single framework. Once you integrate those processes and then provide integrated systems that support those processes you can push a button and produce certifiable financial statements. He asserts that today we work the financial statements and at the same time we're working the processes, because we still don't have integrated processes nor the integrated systems to support them. He strongly states that the process work has to be done first. Our natural tendency is to look for a system solution, which should never be first. If you provide a system solution, all you're going to do is automate an old, cumbersome, or bad process, resulting in the same process moving faster. You're not going to get certifiable financial statements from such an effort, nor will you achieve the CFO Act's ultimate purpose.

Mr. Gregory is happy to see the standardization of core requirements for financial systems and believes that it is long overdue. He warns that we have to be careful with the definition of core requirements, to make sure that we capture everything that is core and that we discard those that aren't. He knows that there is a tendency to "garbage" a system up too much. He also knows that

*Continued on page 22.*



# Federal Financial Management Status Report and Five-Year Plan

The Federal Financial Management Status Report and Five-Year Plan describes the Administration's achievements, status and plans for strengthening Federal financial management. The Chief Financial Officers (CFO) Council and the Office of Management and Budget (OMB) are working on eight priorities:

- obtain unqualified opinions of financial statements and issue accounting standards;
- improve financial management systems;
- implement the Government Performance and Results Act (GPRA);
- develop human resources and CFO organizations;
- improve management of receivables;
- ensure managements accountability and control;
- modernize payments and business methods; and
- improve administration of Federal assistance programs.

These priorities have enabled the CFO Council and OMB to make considerable progress towards improving Federal financial management. A comprehensive set of basic Federal accounting standards are in place, laying the foundation for the most significant and historic accomplishment this past year: the publication of the first-ever, consolidated financial statements of the Federal government.

With respect to the agencywide audited financial statements also required by GMRA, for FY 1997, 9 of the 24 CFOs Act agencies received unqualified opinions on their departmentwide audited financial statements, a 50 percent increase over 1996.

Under the Government Performance and Results Act (GPRA), Federal agencies are required to develop strategic and performance plans to help them administer

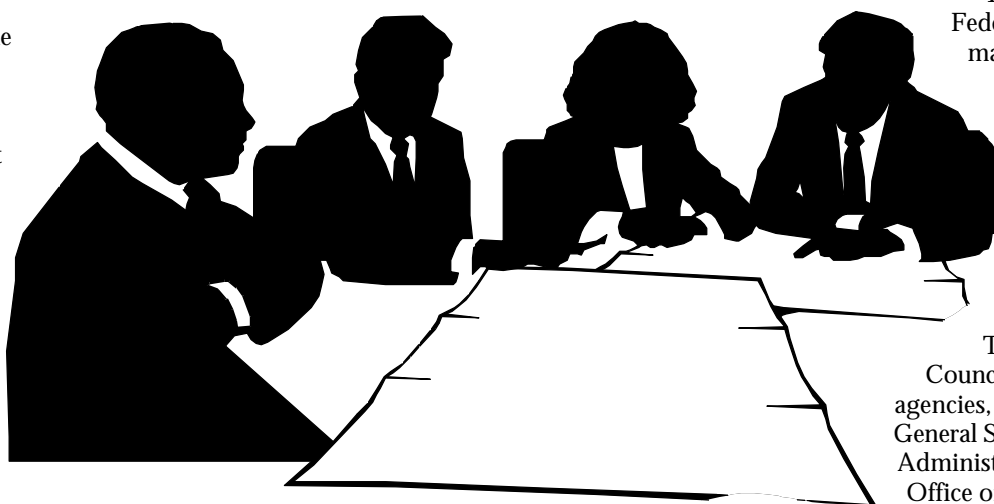
Federal programs more effectively. In September 1997, Federal agencies submitted their strategic plans to Congress, and the 24 CFOs Act agencies submitted their Annual Performance Plans this Spring. The CFO Council is now engaged in helping agencies take the next step from compliance with the statute to monitoring and measuring performance.

As part of its financial system efforts the OMB is improving the availability of financial resources for agencies and providing these agencies with enhanced governmentwide solutions. For example, the Electronic Processes Initiatives Committee (EPIC) supports: using a multipurpose smart card to support reengineering of business and administrative processes; integrating electronic buying and paying processes; and making more efficient and effective the processing of intragovernmental transfers that will contribute to obtaining unqualified financial statements. OMB is also working to establish a stronger system capability in the Joint Financial Management Improvement Program (JFMIP).

agencies to reduce debt losses and increase collections. The CFO Council will continue to enhance debt collection tools and techniques, and collaborating with EPIC, the CFO Council will implement the electronic commerce strategic plans in the upcoming years.

Financial management must provide information on budget integrity, effective operating performance, and management accountability and control. The CFO Council's pilot program on agency Accountability Reports is in its third year, helping to consolidate and streamline Federal statutory reporting requirements.

The CFO Council was especially active in educational and outreach activities that improve the overall quality of the financial management workforce. The CFO Council inaugurated a governmentwide CFO Fellows Program to provide career development opportunities to promising financial managers and develop a cadre of experienced and diverse leaders ready to step into future Federal financial management executive positions.



Improving Federal financial management is integral to accomplishing the Federal government's program performance goals.

The CFO Council and central agencies, OMB, General Services Administration, Office of Personnel Management and Treasury have played

Treas important roles in setting standards, policies, and removing obstacles to re-engineering work processes. Copies of this report will be posted electronically under FinanceNet and OMB webpages soon. □

Improvements are continually being made to the government's management of account receivables (debt collection) and account payables (payments). The Debt Collection Improvement Act of 1996 created incentives and provided tools for the Treasury Department and other debt collection

*Profile, continued from page 20.*

there is a tendency to leave out requirements. He states that if you really need it and it really is a core requirement, then you can't wish it and then define it out of existence. Again, the important thing about core requirements for financial systems is the issue of functional and financial integration from a process standpoint. The natural tension that exists in an organization is for the functional person, the logistician, personnelist, the acquisition person to be only concerned about their process. When the financial management person tries to incorporate the financial needs, which should be part of any functional system architecture, he slows the functional person down.

The financial person and the functional person have to be continually communicating to each other their needs to serve each other. So a core requirement of every functional system architecture is its inherent financial link. But the financial manager has to be there fighting for that linkage or it won't happen. The financial manager must define the financial requirements that should be integral to every functional process and supporting system. Without this the functional user will never get the financial information they need and certifiable financial statements will not be achieved.

As a financial person Mr. Gregory says that integrated financial accounting systems should be priority one, but that's because he is a financial person. The reality is that the Army's mission is not financial statements. The Army's mission is the soldier and the national defense of the United States. He acknowledges that the financial community, as the whole Army, is in a very difficult resource position, being asked to do much more than legitimately resourced to do. So when it comes down to priorities, the Army leadership is put in a position to choose between many things that must be done and decide the level of what resources must be dedicated to do the things that must be done. That's not always going to be financial systems. He adds that financial managers have to prove to the decision makers that by investing in these systems, financial managers can give them better information, to make better decisions about how to use those scarce resources smarter, than if there had not been this better process, better system. Again, that's the communication challenge. Not easily done, but that's the challenge.

Mr. Gregory considers the budget process much too labor intensive and bureaucratic and more difficult than it should be. He points out that the Army has been getting about 25% of the Defense budget every year, so construction shouldn't be as complicated and labor intensive as it is. People are ground to a pulp in this process. The level of detail and lack of flexibility is excruciating. It is not an easy process. He believes that agencies should define and justify what they need for their given missions and then be held accountable for the "outcomes" for which they were resourced. Future resourcing of an Agency would be based on its relevant need and its proven ability to perform. From a financial management standpoint, more resources are expended in building the budget than are ever spent in executing it.

Mr. Gregory contends that the single biggest impediment to the successful governmentwide improvements in financial management, is the accession and development of the next generation of government financial managers. He sees a government focused too

much on a smaller, not enough on a better, future. You have to plant and nurture the seeds of your future.

Mr. Gregory believes that the Government has the same problems today that it had 5 years ago. He believes that financial managers need to break out of the natural tendency to stay in very narrow, stove pipe niches that make them comfortable. The biggest challenge that financial managers have is to communicate, to reach out to become a part of every functional community that they serve and support. There shouldn't be a functional meeting that takes place, a logistics, acquisition, or human resource meeting where those functional people don't look around for their financial partner. But the functional folks aren't going to do that unless the financial partner is directly engaged in supporting them. He states that was the challenge 5 years ago, and that's what it is today, and that's what it will be five years from now.

Mr. Gregory asserts that the financial manager can improve his or her own lot in life. He notes that if you're the suffering victim today, nobody listens. The cure is to become a recognized part of every functional person's solution bank or answer basket as opposed to being viewed as a stumbling block. The success and the betterment of the financial management community rests with nobody other than the financial manager. "Get out of that comfort zone and become engaged with the people that you support."

Looking towards the future, Mr. Gregory will be working hard supporting Ms. McCoy's financial management redesign effort. He sees that the redesign effort addresses all of his concerns that he mentioned earlier, cross functional integration; innovation; and process improvement supported by new technology in terms of automation. It also addresses shaping the future, getting away from the neat and narrow career series like budget analyst or accountant and designing a versatile multi-disciplined group of financial analysts and managers being developed from current staff and accessed from the best colleges and universities. "Our future is people first, not systems." □

*Faces, continued from page 20.*

## Treasury's 1997 Accountability Report

For the third year, Treasury has prepared an Accountability Report under the pilot program authorized by the Government Management Reform Act (GMRA) of 1994 and endorsed by the Office of Management and Budget. Lessons learned from the preparation of previous reports and the comments of other Federal agencies have enabled Treasury to continue enhancing its financial management report, which streamlines reporting requirements under various laws.

The Office of Inspector General issued an unqualified opinion on the Department's FY 1997 consolidated 11 "entity" financial statements and a qualified audit opinion on the Department's FY 1997 consolidated custodial schedules. The qualification was primarily due to weaknesses in the internal controls over the Miscellaneous Accounts maintained by the Financial Management Service. These weaknesses precluded the Office of Inspector General from applying adequate audit procedures to the assets, liabilities, and activities of the Miscellaneous Accounts. For FY 1996, the Office of Inspector General disclaimed an opinion on the custodial schedules and material portions of the entity statements.

Information in the Accountability Report includes: Chief Financial Officers (CFO) Act audited financial statement results; an audit report on the Department-wide financial statements required by the GMRA; summary level Government Performance and Results Act (GPRA) data; Federal Managers' Financial Integrity Act (FMFIA) assurance and material deficiencies; Federal Financial Management Improvement Act (FFMIA) assurance; Prompt Payment Act performance data; the Inspector General Act's status of audit recommendations; and Civil Monetary Penalty reporting.

Treasury has taken a new approach in the preparation of the FY 1997 Accountability Report. The Management Discussion and Analysis (MD&A) section of the report is structured into four mission areas in the Department's FY 98 strategic plan. The MD&A also includes a summary of the Department's performance reports, which include selected key performance measures that are reflected in the *Summary Performance Plan and Report* of the Treasury's FY 1999 Budget-in-Brief.

Instead of reporting by business functions as they have in the past, this year Treasury is presenting consolidated financial schedules and statements for both the Department's custodial activities and administrative activities. Both were audited by the Office of Inspector General. The custodial or nonentity schedules report on Treasury activities that are performed on behalf of the Federal Government. These activities include the collection of taxes, duties, and other revenues that are deposited primarily to the Federal Government's General Fund, as well as certain earmarked funds. The administrative or entity statements report on activities that are specific to Treasury, such as expenditure of appropriated funds and the generation of revenue from the production of currency and coinage.

### **Accomplishments**

Treasury continues to refine its performance measures, striving specifically to present measures of program results rather than the traditional output-oriented or workload measures. Treasury's performance plan for FY 1997 detailed the bureaus' 289 performance targets, which are linked to their strategic plans. The Department met or exceeded its targets for 170 measures (59%); it failed to meet the targets for 84 measures (29%), although 26 (9%) of these showed an improvement over the FY 1996 levels. No performance data were reported for the remaining 35 measures (12%), either because reliable data on actual performance were not available or no performance target was provided in the final FY 1997 plan.

Treasury's missions goals that are highlighted in the report are as follows:

#### *Economic Mission - Promote Prosperous and Stable American and World Economies*

- Promote Domestic Economic Growth
- Maintain U.S. Leadership on Global Economic Issues

#### *Financial Mission - Manage the Government Finances*

- Collect Revenue Due to the Federal Government
- Manage the Federal Government Accounts
- Cost-effectively Finance the Federal Government's Operations
- Improve the Efficiency of Production Operations and Maintain the Integrity of U.S. Legal Tender

#### *Law Enforcement Mission - Protect Our Financial Systems and Our Nation's Leaders, and Foster a Safe and Drug-free America*

- Combat Financial Crimes and Money Laundering
- Reduce the Trafficking, Smuggling and Use of Illicit Drugs
- Fight Violent Crime
- Protect Our Nation's Leaders and Visiting World Leaders
- Provide High Quality Training for Law Enforcement Personnel

#### *Management Mission - Continue to Build a Strong Institution*

- Improve Management Operations
- Improve Program Performance
- Ongoing Challenges

Treasury has identified several significant issues that remain a high priority for the Department. Senior management in the Department and Treasury bureaus have developed action plans and are taking necessary steps to address each of these issues. The challenges include *Year 2000 Century Date Conversion*, *IRS Technology and Organizational Modernization*, *Improve Debt Collection*, *Government-wide Audited Financial Statements* and *IRS Accounts Receivable* □

# Presidential Memo

Jerry Murphy  
Retires

JFMIP Strategies  
& Goals

CFOC Update  
Y2K

Electronic  
Commerce

---

Inside this Issue

---

JFMIP wishes to acknowledge and thank  
the following contributors to this issue:

---

Linda Hoogeveen App . . . . .	HHS
Wendy Comes . . . . .	FASAB
Sonja Ealey . . . . .	CIA
Dwayne Frey . . . . .	SFBA FFMC
Michael Fruitman . . . . .	GAO
Willa Green . . . . .	Labor
Ernest Gregory . . . . .	Army
Rob Jury . . . . .	JFMIP
Sharon Matthews . . . . .	GSA
Dennis Mitchell . . . . .	JFMIP
Joe Perricone . . . . .	HHS
Lisa Shames . . . . .	GAO
Stephanie Shipman . . . . .	GAO
Richard Tingley . . . . .	FASAB
Betty White . . . . .	JFMIP
Joel Willemssen . . . . .	GAO
Patrice Williams . . . . .	JFMIP
Mark Wolkow . . . . .	Labor

## Change of Address?

Write to **JFMIP News** at:

Room 3111  
441 G Street NW  
Washington, DC 20548-0001

or call, 202/512-9209

The **JFMIP News** is published quarterly  
by the Joint Financial Management  
Improvement Program. The purpose of the  
newsletter is to promote sharing and  
dissemination of current financial  
management information, activities and  
practices.

Suggestions and article submission are  
encouraged and may be sent to JFMIP  
News at the above address, fax  
202/512-9593, email [kletzb.jfmip@gao.gov](mailto:kletzb.jfmip@gao.gov)

---

Soliciting Editor: Doris A. Chew  
Publications Specialist: Bruce W. Kletz

---

US General Accounting Office



441 G Street NW  
Room 3111  
Washington, DC 20548-0001

Official Business  
Penalty for Private Use \$300

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100